

a variable rate or that provides for a nonamortizing payment schedule and then converts to an amortizing payment schedule, the earlier of—

“(i) the end of the 1-year period beginning on the date of such reset, adjustment, or conversion; or

“(ii) the end of the 6-year period beginning on the date the loan is consummated.

“(9) POOLS AND INVESTORS IN POOLS EXCLUDED.—In the case of residential mortgage loans acquired or aggregated for the purpose of including such loans in a pool of assets held for the purpose of issuing or selling instruments representing interests in such pools including through a securitization vehicle, the terms ‘assignee’ and ‘securitizer’, as used in this section, do not include the securitization vehicle, the pools of such loans or any original or subsequent purchaser of any interest in the securitization vehicle or any instrument representing a direct or indirect interest in such pool.”.

SEC. 205. DEFENSE TO FORECLOSURE.

Section 129B of the Truth in Lending Act is amended by inserting after subsection (d) (as added by section 204) the following new subsection:

“(e) DEFENSE TO FORECLOSURE.—Notwithstanding any other provision of law—

“(1) when the holder of a residential mortgage loan or anyone acting for such holder initiates a judicial or nonjudicial foreclosure—

“(A) a consumer who has the right to rescind under this section with respect to such loan against the creditor or any assignee or securitizer may assert such right as a defense to foreclosure or counterclaim to such foreclosure against the holder; or

“(B) if the foreclosure proceeding begins after the end of the period during which a consumer may bring an action for rescission under subsection (d), the consumer may seek actual damages incurred by reason of the violation which gave rise to the right of rescission, together with costs of the action, including a reasonable attorney’s fee against the creditor or any assignee or securitizer; and

“(2) such holder or anyone acting for such holder or any other applicable third party may sell, transfer, convey, or assign a residential mortgage loan to a creditor, any assignee, or any securitizer, or their designees, to effect a rescission or cure.”.

SEC. 206. ADDITIONAL STANDARDS AND REQUIREMENTS.

(a) IN GENERAL.—Section 129B of the Truth in Lending Act is amended by inserting after subsection (e) (as added by section 205) the following new subsections:

“(f) PROHIBITION ON CERTAIN PREPAYMENT PENALTIES.—

“(1) PROHIBITED ON CERTAIN LOANS.—A residential mortgage loan that is not a qualified mortgage (as defined in subsection (e)) may not contain terms under which a consumer must pay a prepayment penalty for paying all or part of the principal after the loan is consummated.

“(2) PROHIBITED AFTER INITIAL PERIOD ON LOANS WITH A RESET.—A qualified mortgage with a fixed interest rate for an introductory period that adjusts or resets after such period may not contain terms under which a consumer must pay a prepayment penalty for paying all or part of the principal after the beginning of the 3-month period ending on the date of the adjustment or reset.

“(g) SINGLE PREMIUM CREDIT INSURANCE PROHIBITED.—No creditor may finance, directly or indirectly, in connection with any residential mortgage loan or with any extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer (other than a reverse mortgage), any credit life, credit disability, credit unemployment or credit property insurance, or any other accident, loss-of-income, life or health insurance, or any payments directly or indirectly for any debt cancellation

or suspension agreement or contract, except that insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor.

“(h) ARBITRATION.—

“(1) IN GENERAL.—No residential mortgage loan and no extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer, other than a reverse mortgage, may include terms which require arbitration or any other nonjudicial procedure as the method for resolving any controversy or settling any claims arising out of the transaction.

“(2) POST-CONTROVERSY AGREEMENTS.—Subject to paragraph (3), paragraph (1) shall not be construed as limiting the right of the consumer and the creditor, any assignee, or any securitizer to agree to arbitration or any other nonjudicial procedure as the method for resolving any controversy at any time after a dispute or claim under the transaction arises.

“(3) NO WAIVER OF STATUTORY CAUSE OF ACTION.—No provision of any residential mortgage loan or of any extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer (other than a reverse mortgage), and no other agreement between the consumer and the creditor relating to the residential mortgage loan or extension of credit referred to in paragraph (1), shall be applied or interpreted so as to bar a consumer from bringing an action in an appropriate district court of the United States, or any other court of competent jurisdiction, pursuant to section 130 or any other provision of law, for damages or other relief in connection with any alleged violation of this section, any other provision of this title, or any other Federal law.

“(i) DUTY OF SECURITIZER TO RETAIN ACCESS TO LOANS.—Any securitizer shall reserve the right and preserve an ability, in any document or contract establishing any pool of assets that includes any residential mortgage loan—

“(1) to identify and obtain access to any such loan in the pool; and

“(2) to provide for and obtain a remedy under this title for the obligor under any such loan.

“(j) EFFECT OF FORECLOSURE ON PREEXISTING LEASE.—

“(1) IN GENERAL.—In the case of any foreclosure on any dwelling or residential real property securing an extension of credit made under a contract entered into after the date of the enactment of the Mortgage Reform and Anti-Predatory Lending Act of 2007, any successor in interest in such property pursuant to the foreclosure shall assume such interest subject to—

“(A) any bona fide lease made to a bona fide tenant entered into before the notice of foreclosure; and

“(B) the rights of any bona fide tenant without a lease or with a lease terminable at will under State law and the provision, by the successor in interest, of a notice to vacate to the tenant at least 90 days before the effective date of the notice.

“(2) BONA FIDE LEASE OR TENANCY.—For purposes of this section, a lease or tenancy shall be considered bona fide only if—

“(A) the lease or tenancy was the result of an arms-length transaction; or

“(B) the lease or tenancy requires the tenant to pay rent that is not substantially less than fair market rent for the property.

“(k) MORTGAGES WITH NEGATIVE AMORTIZATION.—No creditor may extend credit to a first-time borrower in connection with a consumer credit transaction under an open or closed end consumer credit plan secured by a dwelling or residential real property that includes a dwelling, other than a reverse mortgage, that provides or permits a payment plan that may, at any time over the term of the extension of credit, result in negative amortization unless, before such transaction is consummated—

“(1) the creditor provides the consumer with a statement that—

“(A) the pending transaction will or may, as the case may be, result in negative amortization; “(B) describes negative amortization in such manner as the Federal banking agencies shall prescribe;

“(C) negative amortization increases the outstanding principal balance of the account; and

“(D) negative amortization reduces the consumer’s equity in the dwelling or real property; and

“(2) the consumer provides the creditor with sufficient documentation to demonstrate that the consumer received homeownership counseling from organizations or counselors certified by the Secretary of Housing and Urban Development as competent to provide such counseling.

“(l) ANNUAL CONTACT INFORMATION.—At least once annually and whenever there is a change in ownership of a residential mortgage loan, the servicer with respect to a residential mortgage loan shall provide a written notice to the consumer identifying the name of the creditor or any assignee or securitizer who should be contacted by the consumer for any reason concerning the consumer’s rights with respect to the loan.”.

(b) CONFORMING AMENDMENT RELATING TO ENFORCEMENT.—Section 108(a) of the Truth in Lending Act (15 U.S.C. 1607(a)) is amended by inserting after paragraph (6) the following new paragraph:

“(7) sections 21B and 21C of the Securities Exchange Act of 1934, in the case of a broker or dealer, other than a depository institution, by the Securities and Exchange Commission.”.

SEC. 207. RULE OF CONSTRUCTION.

Except as otherwise expressly provided in section 129A or 129B of the Truth in Lending Act (as added by this Act), no provision of such section 129A or 129B shall be construed as superseding, repealing, or affecting any duty, right, obligation, privilege, or remedy of any person under any other provision of the Truth in Lending Act or any other provision of Federal or State law.

SEC. 208. EFFECT ON STATE LAWS.

(a) IN GENERAL.—Section 129B(d) of the Truth in Lending Act (as added by section 204) shall supersede any State law that provides additional remedies against any assignee, securitizer, or securitization vehicle, and the remedies described in such section shall constitute the sole remedies against any assignee, securitizer, or securitization vehicle, for a violation of subsection (a) or (b) of section 129B of such Act (relating to ability to repay or net tangible benefit) or any other State law arising out of or relating to the specific subject matter of subsection (a) or (b) of such section 129B.

(b) RULE OF CONSTRUCTION.—No provision of this section shall be construed as limiting the application of any State law against a creditor. Nor shall any provision of this section be construed as limiting the application of any State law against any assignee, securitizer, or securitization vehicle that does not arise out of or relate to, or provide additional remedies in connection with, the specific subject matter of subsection (a) or (b) of section 129B of the Truth in Lending Act.

SEC. 209. REGULATIONS.

Regulations required or authorized to be prescribed under this title or the amendments made by this title—

(1) shall be prescribed in final form before the end of the 12-month period beginning on the date of the enactment of this Act; and

(2) shall take effect not later than 18 months after the date of the enactment of this Act.

SEC. 210. AMENDMENTS TO CIVIL LIABILITY PROVISIONS.

(a) INCREASE IN AMOUNT OF CIVIL MONEY PENALTIES FOR CERTAIN VIOLATIONS.—Section 130(a)(2) of the Truth in Lending Act (15 U.S.C. 1640(a)(2)) is amended—

(1) by striking “\$100” and inserting “\$200”;